



July 1, 2005

VIA CERTIFIED MAIL

Docket No. 05-015-1
Regulatory Analysis and Development, PPD
APHIS, Station 3C71
4700 River Road, Unit 118
Riverdale, MD 20737-1238

Re: Docket No. 05-015-1

The Northwest Pilot Project (NWPP) was formed in 2004 with the support of the cattle and dairy associations, state government animal health agencies, state brand inspection agencies, and every segment of the cattle industry in California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington. Northwest cattle producers recognized that the unique characteristics of the industry that are present in the Northwest (e.g. larger average herd numbers, higher numbers of Canadian imports, larger range acreages, etc.) provided the ideal test bed for the USDA's National Animal Identification System (NAIS). The primary objective of the project is to model the NAIS, using real world scenarios to identify obstacles in implementing the system, and most importantly, to find solutions to those obstacles. The project's mission is to execute a pilot project using the standards of the U.S. Animal Identification Plan and to develop practical solutions for the Western cattle industry. Included in the project are beef cattle, dairy cattle, bison, and sheep. The NWPP has developed, implemented, and tested the USAIP process for tracing animals enrolled in the project through multiple livestock industry segments, across state and national borders, and back to the herd of origin within 48 hours in an efficient and cost effective manner.

In November 2004, the NWPP was awarded a USDA grant to assist in funding the project. Over the past eight months, the grant has been used to help with the outreach and education effort of over 3,500 producers and interested parties, to enroll over 20,000 animals for identification, and to capture movement transactions related to those animals.

The primary objective of the NWPP is to trace enrolled animals from birth to death within the normal commercial flow of animals and identify and use scenarios that reflect the variety of animal movements throughout the Western states. In addition, rather than dictating a particular identification methodology or system for use in the project participating producers choose from all the available identification options, provided the method of identification accomplishes the

goal of being able to trace the animal within a 48 hour period. This has allowed producers to utilize RFID technology, traditional tags, retinal scan, and group lot identification methodologies to track the animals they have enrolled in the NWPP. All of these methods have had varying degrees of success. The following response to USDA's request for input into the development of the NAIS includes some of the information we have learned through the NWPP and the solutions to those concepts within the NAIS that need to be modified.

General Comments

Developing the NAIS in a way that reduces the barriers of compliance for producers must be the primary objective of the system's implementation plan. The NWPP has shown that these barriers can be reduced by creating a system that is flexible and mirrors the natural flow of commerce. Through the implementation process, there will be a direct correlation between the flexibility of the NAIS and the ease of adoption of the NAIS. Fortunately, the NWPP has shown that the flexibility of the system does not necessarily compromise the ability to capture the critical information required for 48-hour trace back. Identifying ways the NAIS can mirror the natural flow commerce will be critical to increase the speed of adoption and minimize the cost of implementation for the industry. The most efficient and expeditious way for this to be accomplished is for the industry to create, manage, and implement the database of the NAIS.

There is little doubt that an animal identification system in the United States will become a reality within a few short years. The impact of the NAIS currently being developed by the USDA will be more directly felt by the industry than any other stakeholder engaged in the process. Therefore, it stands to reason that the industry should control the system since the largest impact of the NAIS, both positively and negatively, will be borne by the industry. As a result, it is in the best interest of the entire industry for the NAIS to be developed and managed by the industry in a way that is effective, efficient, and cost effective. The system which is developed must mirror the marketplace, provide the government with animal health information as necessary, and maintain the confidentiality of producer information.

The NAIS database, which will be the backbone of the NAIS, must be created and supported by all segments of the cattle industry as well as other species. The database should be developed, managed, and maintained by a neutral, industry-driven, private, non-profit consortium. This will provide an opportunity to minimize the barriers of compliance, more likely mirror the natural flow of commerce, enlist the most efficient technology available, and evolve as the industry evolves; and, provide the animal health authorities with the information they require in a timely manner.

It is critically important that the NAIS is developed in a way that will encourage participation by the industry while simultaneously providing animal health authorities with the information they need to quickly trace and manage animal health events. The Draft NAIS Program Standards has

outlined the events that would require an inquiry into the NAIS database. These events could be small in nature or they could represent national health risks. The state and federal animal health authorities should have unfettered and immediate access to the information within the system that is relevant to the particular animal health risk at hand, no matter the scale of the potential threat. If at the end of the day the NAIS database does not provide this functionality, the NAIS cannot be considered successful.

OTHER ISSUES OF CONCERN

In addition to the inquiry the USDA has put forth in Docket No. 05-015-1, the following items are of great concern to the participants of the NWPP.

IMPLEMENTATION

Generally there are three phases in the implementation of the NAIS: First, development of premises systems; second, development of an identification data base; and third, implementation of the NAIS throughout the industry. The premises ID phase of the NAIS is now being implemented by USDA and each State's animal health department and acts as the foundation for the entire NAIS. Coordination and validation of data between the premises system and the animal identification database will be critically important to heighten the integrity of the overall system.

The second phase, development of an identification database, is the backbone of the NAIS. Although relatively easy to build and maintain, **the database must minimize the barriers of compliance for participants, mirror the natural flow of commerce, enlist the most efficient technology available, and evolve as the industry evolves; while providing the animal health authorities with the information they require in a timely manner.** The NWPP believes, and has shown, that an industry managed data base can more effectively accomplish these objectives.

The third phase of the NAIS is implementing the system throughout the industry. This is the most difficult and expensive phase of the process. This phase will require a coordinated effort between all segments of the industry, USDA, state governments, and service providers. A significant amount of investment will be required by all stakeholders, but especially by the industry. There will never be enough federal or state government support to pay for all of the necessary infrastructure, training, or other system components essential to the execution of the NAIS. Therefore, market incentives must play a major role in moving the system forward.

INDUSTRY MANAGED IDENTIFICATION DATA BASE

As outlined above, the second phase of the NAIS requires the development and deployment of the animal identification database, i.e. creating the backbone of the NAIS. The functionality of the database must meet three critical demands: First, it must receive and store animal ID and

movement transactions in a cost effective manner; second, it must be supported by the industry, and third, it must provide animal health authorities with animal movement information in an instantaneous manner when needed.

There are two keys to developing any system, particularly a system that will require the users to do something new. In order for the NAIS to effectively and efficiently receive and store the animal event transactions, the system must;

1. Minimize the barriers of compliance, and
2. Mirror the natural flow of commerce.

Reducing the barriers of compliance is the most critical factor for the success of the NAIS. An industry developed system can more effectively eliminate these barriers for producers and will more likely mirror the natural flow of commerce. Focusing on least cost solutions which mirror the marketplace is a critical component to the system's success. Because the impact of this system will be more directly felt by the industry than any other stakeholder engaged in the process, it stands to reason that the industry would want to control our destiny and have the biggest role in making the national ID program succeed.

A significant barrier of compliance is the issue of confidentiality. Whether real or perceived, producers have a concern that a government database will expose the industry to additional liability and risk. On the other hand, a private industry controlled database adds an additional firewall to protect the producer information recorded in the database, making it more accepted by the industry. At the same time, an industry controlled database would in no way limit the information that could be provided to federal and state animal health authorities when needed.

Further, industry driven solutions for the NAIS will also create the ability to enlist the most efficient technology and evolve as the industry evolves. Most importantly, industry driven solutions will continue to have the natural incentives to do so. Conversely, the government's ability to adapt the NAIS database for gathering market information and to provide that information to entities willing to pay for that access would be cumbersome and almost nonexistent. Therefore, the only way the NAIS could be effective under a government managed system is by regulating mandatory compliance.

A key part of the implementation of the NAIS is to bring clarity to the marketplace and provide direction to the evolution of the identification infrastructure. As livestock producers, we understand the difficulties in trying to balance the need to allow broad market access to all technologies against the responsibility to ensure that technological infrastructure is developed that can meet the rigors and requirements of the markets served by it. We feel, however, that proven technologies have been validated in Australia, Canada, and other countries around the world – based on ISO 11784/11785 RFID standards – that can be the basis of the successful initial implementation of the NAIS program. The use of this widely accepted technology will

facilitate a more efficient development of automated systems for concentration points along the production chain (e.g. feedlots, livestock markets, packing plants) needing to identify large volumes of cattle using an automated electronic system.

We also support the current NAIS Draft Program Standards with regard to the provisions for “grandfathering” manufacturer coded EID tags currently in the market. We strongly feel that this provision must be incorporated into the final NAIS Standards in order to facilitate rapid program implementation and producer buy-in.

We are confident that when this kind of clarity regarding technology is provided to the marketplace, it will move this initiative to develop the NAIS forward in a manner that will support both regulatory (animal health) and market (value-added) needs and provide the firm foundation for a world-class identification system, benefiting American producers and their customers worldwide.

The NAIS must serve all the primary stakeholders of the system, which includes producers, government entities, and service providers. Each of these stakeholders is critical to the success of the system and the success of the system is important to these stakeholders. As a major player in the success or failure of a national ID system, the industry solution for the NAIS database system would encourage producer participation through the following means:

- Minimize barriers to compliance
- Minimize costs through ease of entry
- Enable data collection at the speed of commerce
- Embrace existing animal industry practices for multiple species
- Provide effective disease surveillance, while at the same time reducing liability

Our hope is that the government will embrace an industry managed database if the system enhances disease surveillance through the following means:

- Uses existing animal industry practices to handle multiple species simultaneously
- Allows access to information at the fastest speed possible, thereby reducing the amount of time necessary to intervene in and contain disease outbreaks
- Encourages the innovation of practical technology applications throughout the industry
- Encourages compliance in the industry, thereby reducing enforcement costs
- Eliminates the government cost of developing, managing, and maintaining the database and infrastructure.

In this type of industry-led approach, the data service providers would be engaged in:

- The development of a sustainable consortium ,
- The continuous embracing of best business practices,
- The use of proven innovative technology, and
- The continual pursuit of minimizing the barriers to data integration by allowing transfer of information at the fastest speed possible

Each stakeholder will play a critical role in the success of the NAIS and has much to gain from successful system implementation. Ultimately, however, the industry will bare the costs of the implementation and the infrastructure of the NAIS, and therefore should play the lead role in the development of a system that will provide reliable and functional information to animal health authorities while at the same time meeting industry's ever changing needs.

GROUP LOT IDENTIFICATION

One of the most important options for tracking animal movements is group lot identification, yet the current NAIS plan all but dismisses its use for the cattle industry. The NWPP has shown, however, that group lot tracking is an efficient and effective method of identification for various segments of the industry in particular production scenarios. Although it does not work in all situations, group lot identification may be the only way the NAIS will work in many situations.

In many areas of the country, and particularly in the West, cattle are currently moved, handled, and sold in groups. Often, ranchers handle their calves only once during the animal's lifetime while in that rancher's control, and many of the shipping locations have limited or no physical facilities for individual animal handling. Groups of animals are moved from one area to another in situations where uniquely identifying individual animals is virtually impossible without causing a serious and often detrimental change in the way business is conducted. In these types of scenarios, group lot animal identification mirrors the natural flow of commerce and how business is conducted by these producers.

As we have experienced through the multitude of different production scenarios included in the NWPP, the NAIS must be flexible rather than prescriptive in order to encourage the industry to record the animal movements and participate in the system. Reading a RFID tag in a remote location is difficult at best and is often impossible. For producers who may only work or move their animals at certain key times of the year, panel readers are often cost prohibitive, and hand readers require a close proximity to the cattle, typically achieved by using a squeeze chute. Running cattle that are moving to a new location through a squeeze chute is expensive for a producer in terms of time, shrink in weight, and risk of injury to the animal. Therefore, even if handling systems that would enable the reading of individual identification numbers are

available, they typically are not used when shipping cattle because of these high costs attributed to recording individual animal movements.

On the other hand, group lot identification is a concept that is not foreign to Western ranchers. Recording the movement of cattle using brands is a well established group identification method in the West. We recognize that brands alone is not an effective method of animal identification because of duplicate brands among states, the lack of brand laws in some regions of the country, reduced visibility of the brand with age, and lack of efficient ways to digitally describe brands,. Despite these downfalls, however, using brands as part of the group identification infrastructure will enhance the credibility and auditability of the NAIS. For cattle in the West, brands are a long accepted form of permanent identification that when combined with other identification methods, will strengthen the overall ability to accurately identify animals and track their movements.

The Draft NAIS Program Standards document acknowledges that, “Individual animals or groups of animals would be identified in the NAIS using devices or methods approved by the USDA/APHIS Administrator, including, but not limited to , official tags, **tattoos**, radio frequency identifications, and **registered brands when accompanied by a certificate of inspection from a recognized brand inspection authority.**” While we are pleased to see the incorporation of brands in this list of acknowledged identification methods, the concept of identifying cattle using the group lot method is still severely limited in the Draft Program Standards. Current provisions in the Draft documents specify that, “unique individual animal identification is needed for tracking animals **that are destined to be commingled** with animals outside the production system in which they were born as they move through the production chain.” The way the current Standards read it would imply that even if a rancher sells his or her cattle as a group, if there is any chance that those cattle would be commingled at a subsequent level of the production chain, they would have to be individually identified.

There are very few cattle production chains that do not commingle cattle for production purposes. Instead of automatically requiring individual identification of all animals that might at some point be commingled, the key instead is to require the producer that does actually commingle a group to individually identify those cattle before they are commingled. It is essential to place the responsibility for individual animal identification on the person that is actually commingling animals, not upon the producer that is moving their animals to a new location as a segregated unique group.

The NWPP has clearly shown that using group lot all the way or part of the way through production and converting the group lot identification to individual identification when commingling does actually occur is functional and effective, and most importantly, will provide animal health authorities with the ability to effectively trace those cattle.

Clearly, group lot identification will not work for the majority of the cattle movements nationwide. In situations where cattle are commingled and become unidentifiable as a group,

where RFID technology is available and efficient, and where cattle are handled on an individual basis (even if they are not commingled) group lot is not an effective form of identification. The NWPP has found, through experience with over 115 participating producers in the NWPP, which given the option between group lot and Individual identification, producers will gravitate to the form of identification that most closely mirrors the way they do business, is effective and is efficient for their operation. The NWPP has clearly shown that while group lot identification will not work in certain circumstances, in some production scenarios, it is the only way cattle can be identified and their movements recorded.

OTHER SUGGESTIONS

- ☑ **Head count in group lot event reporting:** Currently, the NAIS Draft Program Standards do not require a producer to record the number of animals they are reporting for a group lot transaction. The NWPP has included the head count as a mandatory data field when reporting group lot animal events and it has been shown that this value is critical to have audit integrity. During a disease investigation or traceback, knowing whether 50 animals or 500 animals were in a particular group would be an advantage in controlling the spread of the disease. Without this field it would be impossible to confirm that all the animals moving in or out have been accounted for.

The inclusion of head count has also been very helpful to our participants using group lot identification in situations where they have created subgroups (e.g. A group of 117 steers is created at the cow/calf operation, but when the animals are shipped, the 10 lightest steers in the group are sorted off and sent to an livestock market, while the remaining 107 go directly to the feedlot.) Being able to report the head count when these types of subgroups are created seems to add another important piece of information that facilitates more accurate tracking of the original group.

- ☑ **The absence of data fields to easily and correctly record additional ID information (supplemental to the USAIN tag) such as visual management tags and brands:** While our participants recognize that the USAIN tag or official group lot number will be the most important tool for tracking animals through the production chain, many have expressed frustration that the current data fields for event reporting, as specified by the NAIS Draft Program Standards, do not allow for easy or even accurate reporting of additional, supplemental forms of identification that may also be associated with an animal for management or ownership purposes. Though producers recognize that the visual management tags may or may not stay with the individual throughout the different stages of the production chain, they would often still prefer to record that tag information in the database in case the animals do retain the tags, which would then act as a supplement form of ID to the USAIN device.


Similar frustration is experienced with the lack of being able to include brand information in event reporting. Brands are a permanent form of identification that can help verify the

identity of cattle at least in the Western states. Currently, the NAIS Program Standards allow for certain types of “Alternate Animal ID” to be listed along with the USAIN number. If that field is utilized, however, the producer must also identify what type of alternate ID is being used. Right now, the NAIS recognizes: 1) AIN tags that begin with the USA country code, 2) USDA ear tags, 3) AIN tags that begin with the manufacturer’s code, 4) breed registration numbers, 5) lot numbers, and 6) tattoos as viable “alternate animal ID types”. Given these categories, there is not an accurate or easy way to include either visual management tag information or brand information. For now, NWPP participants have been calling their own visual ear tags “USDA ear tags” for purposes of event reporting given the current options recognized in the NAIS, while recognizing, however, that this is not a legitimate use of that alternate ID category.

Similarly, some producers have in some way described their brand in the “Alternate Animal ID” category and have reported the “type” as a “Tattoo”. Others have described their brands in the “Remarks” field in an attempt to somehow include that information in the system. Our participants feel they are a valuable supplemental form of identification that should somehow be included in animal event reporting as an optional field.

- ☑ **The need for explanation and/or controls on the sequence of event reporting:** In the NWPP database, we have intentionally created a fairly unrestricted system that leaves much of the data entry decisions to our participants to see where problems may inherently occur. For example, the system does not check to see if a tag has been recorded as “allocated” to a participant before they are able to record that the tag has been “applied.” Along these same lines, we have had participants enter a “move in” transaction as the first entry of their animals into the system. In addition to the “tag allocated” transaction that will at some point be entered by the USAIN Tag Manager, there should also be a “tag applied” and a “move out” transaction in the database, if these were truly “move in” events. Further, we’ve seen the need for clarification between various “event codes”, such as “replaced tag” versus “lost tag”, or as shown below, “slaughtered” and “died.”
- ☑ **Formatting of “event date”:** One of the most common errors NWPP participants make in entering their animal movement data into the project database is in the formatting of the event date. In the current NAIS Draft Program Standards, the event date and time format is described as “YYYYMMDDHHMM.” Although this may be functional when designing a data base it confuses users of the system. We suggest that the national data base be developed in such a way that the front-end software as well as interfaces will accept the date and time reporting in a format that is more intuitive for producers entering their data.
- ☑ **Clear explanations of event codes.** In the example below from the NWPP database, the participant has in theory “allocated” the tags to themselves and has “slaughtered” an animal at their home premises. While they may have slaughtered the animal at home (e.g. via a mobile butcher, etc), it is also a possibility that they either sent this animal to slaughter (thus warranting “move out” and “move in” transactions) or the animal died at the home place

(where the transaction could have been reported as “died”.) Regardless of the specific scenario, there appears to be a need to ensure that the event codes are explained and that some type of controls are built into the system to ensure transactions are reported in an accurate and correct order.



















Search Individual Movement Transactions

Select Premise:


Animal ID:

From Date:


(mm/dd/yyyy)

Rpt Location	Animal ID	Date	Event	Remark
 HOME PLACE	3133	12-04-2005	Tag Allocated	
 HOME PLACE	3091	12-04-2004	Tag Allocated	
 HOME PLACE	3015	12-04-2004	Tag Allocated	
 HOME PLACE	3065	12-04-2004	Tag Allocated	
 HOME PLACE	3072	12-04-2004	Tag Allocated	
 HOME PLACE	3071	12-04-2004	Tag Allocated	
 HOME PLACE	3131	12-04-2004	Tag Allocated	
 HOME PLACE	3092	12-04-2004	Tag Allocated	
 HOME PLACE	3045	12-04-2004	Tag Allocated	
 HOME PLACE	3026	12-04-2004	Tag Allocated	
 HOME PLACE	3154	12-04-2004	Tag Allocated	
 HOME PLACE	3161	12-04-2003	Tag Allocated	
 HOME PLACE	3098	04-00-0412	Tag Allocated	
 HOME PLACE	302	04-00-0412	Slaughtered	
 HOME PLACE	310	04-00-0412	Tag Allocated	

- ☒ **Current lack of electronic infrastructure at second tier of production chain:** One of the phenomena that has been evidenced in the NWPP is that even though cow/calf producers may be able to identify their animals with RFID tags, there is often a lack of reading and reporting systems at the next level of the industry, such as livestock markets or feedlots. In the following example from the NWPP database, the feedlot recorded only the visual tag number corresponding to the matching RFID tags because an electronic readers was not available at the facility (see “Remarks” column and “Alternate ID” field where visual tag numbers are listed. The visual numbers corresponded to the last 5–digits of the RFID tag.)



Search Individual Movement Transactions

Select Premise:

Animal ID:

From Date:

(mm/dd/yyyy)

To Date:

(mm/dd/yyyy)

Rpt Location	Animal ID	Date	Event	Remark	Alternate ID
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	78207
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	78288
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	78274
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	58329
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	77716
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	58781
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	78846
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	58537
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	57841
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	79011
Feedlot		12-28-2004	Moved Out	Had EID, but only matchin	58679

Given the lack of electronic infrastructure throughout this segment of the industry, there is often considerable frustration experienced by both the cow/calf producer and the receiving facility in dealing with the 15–digit USAIN tags. These types of examples strongly point out the need for a major infrastructure investment by the industry to make the NAIS functional. As outlined previously, the NWPP feels that this type of investment must be market driven, and the industry must be in control of that process in order to achieve the level of participation necessary to make the NAIS a success.

- ☒
The need for validation of USAINs when events are reported: As is specified in the NAIS Draft Program Standards, the NWPP database reserves the “Animal Identification Number” field for the entry of 15–digit USAINs. If producers wish to enter their own herd management tag numbers, they are to include those as an “Alternate Animal ID”. Because the NWPP database purposely does not contain many controls over the data that is being entered, we have seen participants “create” 15–digit numbers in order for the database to accept their information, as evidenced below:

Select Premise:

Animal ID:

Rpt Location	Animal ID	Date	Event
Klickitat Mountain B	0000000000006CR	03-14-2005	Died
Klickitat Mountain B	000000000000706R	03-10-2005	Tag Applied
Klickitat Mountain B	00000000000067PR	03-10-2005	Tag Applied
Klickitat Mountain B	000000000000081R	03-08-2005	Tag Applied
Klickitat Mountain B	000000000000029R	03-08-2005	Tag Applied
Klickitat Mountain B	00000000000006CR	03-05-2005	Tag Applied
Klickitat Mountain B	000000000000123R	03-05-2005	Tag Applied
Klickitat Mountain B	000000000000092R	03-04-2005	Tag Applied

RESPONSE TO SPECIFIC INQUIRIES in Docket No. 05-015-1

The Draft Strategic Plan calls for making the entire system mandatory by January 2009. Is a mandatory identification program necessary to achieve a successful animal disease surveillance, monitoring, and response system to support Federal animal health programs?

The quick answer to this question is “yes,” eventually. The real question is when. This question revolves around whether or not there are enough market incentives built into the NAIS to encourage the cattle industry to comply, without being forced to comply through regulation, at a level that would provide effective animal surveillance. Much of the response to this question has to be in relation to whether the database is managed by the industry or by the government (see below for a detailed discussion of that topic) and whether the NAIS provides any market incentives for the cattle industry to adopt the system. On the other hand, if the NAIS has perceived or real disincentives for the industry, a mandatory system will be requisite in order to have a functioning animal tracking system.

If the market demands animal identification and the NAIS supports those market demands, then not only will the need for a mandatory system be less necessary, but the NAIS will likely be adopted much faster. There are various examples of these kinds of incentives in today’s cattle market. For example, premiums are being paid for producers that can warrant their cattle to be “Natural.” Having “Natural” cattle requires a significant investment and change in operating procedures, yet the market offsets these costs due to the premiums available for those cattle. Similarly, we are hopeful that in the near future, the Japanese market will open and source and age verified cattle will demand a premium in the marketplace.

If the NAIS has value in the marketplace, producers will be quicker to adopt it and invest in the system because the marketplace will help pay for the costs. The NAIS in and of itself has little or no market place value to individual producers within the cattle production chain because by definition, its purpose is to provide animal health traceability, which provides a reduction of risk to the cattle industry as a whole but creates little value directly to the producer. The NAIS can, however, serve as the backbone for other value-added propositions such as age verification, source verification, and quality traceability. Identifying those ever changing value opportunities, integrating them in NAIS, and utilizing them in the marketplace is clearly more effectively accomplished through a industry sponsored identification system.

As with any new innovation premiums are available in the marketplace to compensate early adopters and help pay for their infrastructure and costs of adopting the system. As the animal identification system becomes prevalent in the industry, those industry participants that do not comply with the standards will face discounts in the marketplace. Ultimately, the majority of cattle and producers will face some discount or unfunded cost and the incentive to comply with NAIS requirements will actually become a negative for them. At that point in the implementation process, a mandatory dictate may be required in order to elevate the integrity of the overall system to an acceptable level of compliance and achieve adequate animal disease surveillance.

Further, the costs of adoption of the NAIS will play a significant role in determining if and when a mandatory system will be required. There will be a higher level of voluntary industry participation and the speed of adoption will be significantly faster if the costs are minimized through an efficient system which mirrors the flow of commerce. Again, the group lot concept is critically important for moving the NAIS forward in a productive and effective way. A more extensive discussion about the importance of incorporating the group lot concept into the NAIS is given above.

Ultimately, the goals of industry-wide participation and high speed adoption of the system will dictate if and when the NAIS must become mandatory. In order for the NAIS to have credibility, the participation must be significant, which will almost certainly dictate the need for a mandatory system. In discussions with the leaders of other countries' animal identification programs, they have indicated that during the adoption process a mandatory directive was necessary in order for them to reach their objectives for overall integrity and effectiveness. They also pointed out that the majority of cattle producers supported the adoption of the mandatory system. Most of the leaders believed that having a voluntary system was a hindrance and an unfortunate delay to nationwide implementation of their ID system, but at the same time felt it was politically necessary and helped with the overall acceptance of the program by the industry. This is probably also the reality in the United States.

The NWPP leadership has spoken to well over 3,300 cattle industry producers over the last eight months, and during that time, we have seen a dramatic change in their attitudes toward the NAIS. Only a year ago, the general feeling regarding the NAIS was negative to neutral at best. Under-Secretary Bill Hawks was often the recipient of those negative concerns. Although in some areas of the country those feelings still remain, the majority of informed producers believe that the NAIS is coming, whether they like it or not, and in general feel that the system needs to be implemented faster than what is being proposed by the USDA. What is really interesting is that a strong majority of producers believe that the NAIS needs to become mandatory sooner rather than later **provided that the system is managed by the industry.**

In the current Draft Strategic Plan, the NAIS would require that producers be responsible for having their animals identified before the animals move to a premises where they are to be commingled with other animals, such as a sale barn. At what point and how should compliance be ensured? For example, should market managers, fair managers, etc. be responsible for ensuring compliance with this requirement before animals are unloaded at their facility or event? Please give the reasons for your response.

Based on our experience with the NWPP, the responsibility for recording animal movements should instead rest with the person who controls or manages the cattle, and if there is not a clear understanding of whom controls the cattle, the owner would assume that responsibility by default. There are several issues that must be addressed regarding this inquiry: First, ownership vs. control of cattle; second, double entry or single entry events; and third, timeliness of recording transactions.

First, throughout the USDA Draft Strategic plan there is a predisposition towards placing the responsibility of animal tracking on the owner of the cattle. Although theoretically this concept holds some value when it comes to enforcement and penalties, this prejudice creates for an inefficient and illogical responsibility burden in the NAIS

In the NWPP, we have found that one of the most significant stumbling blocks in helping the producers understand what they are required to do is their concern about entering a transaction when they no longer have control of the cattle. The question is asked, "How am I supposed to know what they do with my cattle or the movement of my cattle when I don't have control of them?"

For example, a custom feedlot's business is to manage cattle for customers that own the cattle but choose to contract with the feedlot to feed and market them. Clearly the feedlot, not the owner, should be responsible to record the movement related to these cattle because they have the first hand knowledge about their location and movements. Livestock markets are much the same way and the livestock markets should be responsible for recording those events while they control the cattle.

The second issue of whether, upon the movement of an animal, two entries (double entry) should be made out of one premises and into another, or a single entry (into a premises recording where it came from) will be addressed in more detail below. Suffice it to say a double entry system is required in order to distinguish the transfer of responsibility of recording animal events from one party to another. A double entry system also ensures that the sender or seller of the animals can effectively extinguish their liability of that animal when they are no longer in control of the animal.

Third, recording transactions in a timely manner is critical but is difficult to enforce. Even the participants within the NWPP (who are being compensated for entering transactions into the project database) do not enter the events in a timely manner. Certainly there are always typically

more things to do than time to do it, but certainly a reasonable amount of time to enter data into the system would be within 7 days of the event's occurrence. Interestingly, that is happening in a very small number of cases within the NWPP. There are many reasons that producers are not entering these transactions quickly, including:

- The NWPP is a voluntary program.
- The monetary incentives for entering the transactions are not large enough to motivate timely compliance.
- There are not penalties for delayed entries.
- There are no market incentives within the NWPP for timely compliance.
- Producers don't have access to the internet for several days due to the remote locations of their operations.
- Fear of making a mistake in the system and coordinating help desk support.

Again, the market will provide some incentives to enter the transactions in a timely manner and therefore help resolve some of these issues as the NAIS is developed. Nonetheless, it is critically important that the NAIS does not place unnecessary barriers of compliance on participants in the system by not providing a realistic time frame for entering their transactions.

In regard to cattle, individual identification would be achieved with an AIN tag that would be attached to the animal's left ear. It is acknowledged that some producers do not have the facilities to tag their animals; thus, the Draft Program Standards document contains an option for tagging sites, which are authorized premises where owners or person responsible for cattle could have the cattle sent to have AIN tags applied. Do you think this is a viable option, i.e., can markets or other locations successfully provide this service to producers who are unable to tag their cattle at their farms? Please give the reasons for your response.

Clearly, livestock markets and other operations can successfully provide facilities for producers to tag their cattle, thereby serving as a viable service to their customers within the cattle industry's natural flow of commerce. Rather than regulating the authority to provide such tagging services, the business of tagging cattle should be driven by the market and the natural flow of commerce. As discussed above, the responsibility of tagging cattle should be placed on the person who has control of or manages the cattle. That person should have as many cost effective options to fulfill that responsibility as the market will support.

Some of the consternation which exists among Western producers regarding this issue can be eliminated by the effective use of group lot identification. When cattle are moved or sold in groups, these movements can be recorded as groups, with the requirement that individual animals be identified as such only when they are commingled and become homogeneous with other cattle. Using group lot identification effectively will provide many producers with the ability to identify cattle that are leaving a premises in a practical way, while at the same time allowing the buyer to receive the cattle as a group. Ultimately, in this type of system, the buyer has the responsibility to determine whether the cattle will be commingled during the time when he will control the animals, and therefore determining whether they will require individual identification.

If there is a value to either the buyer or seller of the cattle to tag the cattle or either party has the facilities to tag the cattle, a natural marketing opportunity exists and the act of tagging those animals becomes part of the sales contract negotiation for those cattle. This would be nothing different than what is currently done in negotiating freight, brand fees, inspections fees, etc. Allowing the market to determine where, how, and who the cattle are tagged by will allow for efficiencies within the NAIS, allowing the system to respond to the existing flow of commerce.

Within the NWPP, these types of group lot transactions have occurred with about 30% of our participants. The following are the events that were recorded by one of the NWPP participants, with limited tagging facilities and extensive federal grazing permits, who shipped the animals to a feedlot as a group. The feedlot in turn received them as a group but determined that it was in their best interest to individually tag the cattle, and they in turn shipped the individually identified cattle to the packer.

Example #1 – Group Lot to Individually Identified Cattle

In this scenario, the cow/calf producer identified two groups of cattle and ships these groups to a feedlot. Note that the producer used a Subset ID description to distinguish between two different groups of cattle that were created on the same day on the same premises. These subgroups could also represent different trucking lots if different hauling arraignments had been made.

Select Premise:	Lot ID:	From Date:	To Date:
[all] ▼	<input type="text"/>	<input type="text"/>	<input type="text"/>
		(mm/dd/yyyy)	(mm/dd/yyyy)
<input type="button" value="Search"/>			

Location	Lot ID	Subset ID	Date	Event	Remark
Cow Lakes Grazing	713209172004	MLAZYSBRANDLE	09-17-2004	Moved Group/Lot Out	Shipped to Beef Northwest Feedlot,
Cow Lakes Grazing	713209172004	SSBRANDLEFTHI	09-17-2004	Moved Group/Lot Out	Shipped to Beef Northwest Feedlot,
Cow Lakes Grazing	713209172004	MLAZYSBRANDLE	09-17-2004	Begin Group/Lot	
Cow Lakes Grazing	713209172004	SSBRANDLEFTHI	09-17-2004	Begin Group/Lot	

Next, as shown below, the feedlot receives the two groups of cattle. Note that both the Lot ID and the Subset IDs are used and recorded.

Select Premise:	Lot ID:	From Date:	To Date:
Nyssa Yard ▼	713209172004	09/01/2004	09/31/2004
		(mm/dd/yyyy)	(mm/dd/yyyy)
<input type="button" value="Search"/>			

Location	Lot ID	Subset ID	Date	Event	Remark
Feedlot	713209172004	MLAZYSBRANDLE	09-17-2004	Moved Group/Lot In	Received at feedlot using brand as
Feedlot	713209172004	SSBRANDLEFTHI	09-17-2004	Moved Group/Lot In	Received at feedlot using brand as

After receiving the animals as a group, the feedlot determines that the cattle need to be tagged individually and converts the two groups of cattle to individually identified cattle. Please note, however, that the group lot ID number appears under the "Alternate ID" field and is thus cross referenced with the animal's new individual ID numbers.

Select Premise:	Animal ID:	From Date:	To Date:
[all]			
		(mm/dd/yyyy)	(mm/dd/yyyy)
<input type="button" value="Search"/>			

Rpt Location	Animal ID	Date	Event	Remark	Alternate ID
Feedlot	982000026926482	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026872273	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026871859	11-24-2004	Tag Applied		713209172004
Feedlot	982000026872037	11-24-2004	Tag Applied		713209172004
Feedlot	982000026879263	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026872244	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026858515	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026858332	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026925306	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026857954	11-24-2004	Tag Applied	otb	713209172004
Feedlot	982000026958314	11-24-2004	Tag Applied	otb	713209172004

Once the feedlot had finished these animals, the cattle were shipped out and received by the packing plant as individual identified cattle.

Select Premise:	Animal ID:	From Date:	To Date:
[all]			
		(mm/dd/yyyy)	(mm/dd/yyyy)
<input type="button" value="Search"/>			

Rpt Location	Animal ID	Date	Event	Remark	Alternate ID
Pasco Packing Plant	982000026878877	01-25-2005	Tag Retired		713209172004
Pasco Packing Plant	982000026871972	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026872171	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026871961	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026879162	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026931214	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026858506	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026858530	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026858464	01-25-2005	Slaughtered		713209172004

If one or more of these animals needed to be traced, the following audit trail exists:

1) Starting with the individual animal number (e.g. 982000026878877), the animals movements can be determined from the packing plant back to the feedlot where the individual ID tag was applied.

2) Using the group lot number reference in the alternate ID field, (Group Lot # 713209172004), it is possible to track the animal back to the group from which the individual animal came from. The alternate ID field is currently a defined value with the latest definitions of the NAIS.

Select Premise:	Animal ID:	From Date:	To Date:
[all]	982000026878877		
		(mm/dd/yyyy)	(mm/dd/yyyy)
<input type="button" value="Search"/>			

Rpt Location	Animal ID	Date	Event	Remark	Alternate ID
Pasco Packing Plant	982000026878877	01-25-2005	Tag Retired		713209172004
Pasco Packing Plant	982000026878877	01-25-2005	Slaughtered		713209172004
Pasco Packing Plant	982000026878877	01-24-2005	Moved In		713209172004
Feedlot	982000026878877	01-24-2005	Moved Out		713209172004
Feedlot	982000026878877	11-24-2004	Tag Applied		713209172004
Home Place	982000026878877	11-15-2004	Tag Allocated		713209172004

Lastly, the group lot number (713209172004) can be used to trace the animal from the feedlot back to the original cow calf producer where the group was originated.

Select Premise:	Lot ID:	From Date:	To Date:
[all]	713209172004		
		(mm/dd/yyyy)	(mm/dd/yyyy)
<input type="button" value="Search"/>			

Location	Lot ID	Subset ID	Date	Event	Remark
Cow Lakes Grazing	713209172004	MLAZYSBRANDLE	09-17-2004	Moved Group/Lot Out	Shipped to Beef Northwest Feedlot,
Cow Lakes Grazing	713209172004	SSBRANDLEFTHI	09-17-2004	Moved Group/Lot Out	Shipped to Beef Northwest Feedlot,
Cow Lakes Grazing	713209172004	MLAZYSBRANDLE	09-17-2004	Begin Group/Lot	
Cow Lakes Grazing	713209172004	SSBRANDLEFTHI	09-17-2004	Begin Group/Lot	

Clearly this kind of traceability will not work in every situation, but the industry and the marketplace will decide which scenarios are effectively managed using group lots, given that the group lot identification process requires cooperation and communication between the seller and the buyer. As a result, the marketplace will determine if and when it is in the best interest of both parties to invest in individually identified cattle in situations where group lots are not acceptable.

The same would be true for a third party tagging company. If the market deems this kind of service to have value, then the NAIS should accommodate that opportunity, while allowing the market to determine its viability. The NAIS should encourage any sector to develop tagging capabilities and look for opportunities to exploit those capabilities.

The current Draft Strategic Plan does not specify how compliance with identification and movement reporting requirements will be achieved when the sale is direct between a buyer and seller (or through their agents). In what manner should compliance with these requirements be achieved? Who should be responsible for meeting these requirements? How can these types of transactions be inputted in the NAIS to obtain the necessary information in the least costly, most efficient manner?

As discussed above, under the assumption that both the buyer and seller are responsible for recording the respective movements of cattle while under their control, the market should determine how the movement reporting will be achieved. If, as part of the sale contract, the buyer and seller agree that one or the other will enter the movement transactions, their agreement will dictate the reporting responsibilities. It is highly likely that if the market is allowed to dictate these responsibilities, the segments of the industry that can expedite the required reporting will provide this service to other segments of the industry in an efficient and cost effective manner. This type of negotiation and the resulting arrangements are currently every day occurrences between buyers and sellers for freight, dues, inspection fees, etc.

The irony of this question posed by USDA, however, is that a direct sale is the simplest of transactions. Yet there seems to be a great debate about how the reporting requirements should be met. There are thousands of variations to this type of straightforward sale, in which the NAIS must be capable of correctly capturing all of these movements. The only possible way that this will be accomplished is if the NAIS mirrors, as closely as possible, the natural flow of commerce as well as allowing market incentives to encourage compliance.

A government driven NAIS will inherently rely on regulation and penalties to coerce compliance. The regulatory text required to address the wide variety of transactions, movements, production scenarios, and participants would be vast, cumbersome and unmanageable. The gargantuan Internal Revenue Code exemplifies the government's attempt to regulate the creativity of the free market. A government driven NAIS would be no different than this monstrosity.

On the other hand, an industry driven NAIS will primarily rely on market opportunities to encourage compliance. Outlining a basic set of guidelines and providing the opportunity for the marketplace to drive the specific details allows for flexibility, creativity and efficiency. As discussed previously, both a government and industry managed program will ultimately have to be mandatory but there will be a dramatically different motivation and level of participation prior to a mandatory statute depending on who is leading the system's development. Natural market momentum will drive a significant amount of compliance versus regulatory threats which will create resistance among producers.

How can these types of transactions be inputted in the NAIS to obtain the necessary information in the least costly, most efficient manner?

Developing an internet based system is clearly the most efficient means of capturing data for the NAIS irrespective of its source. Clearly, allowing as many types of internet input options as possible is critically important because it will allow the various industry segments and individual participants to find the method of input that is most cost effective and efficient for their operation. Electronic means of file transfers are commonplace in today's high tech world. Individual users should be able to choose between entering transactions: 1) directly into the internet system themselves, 2) via a third party service provider, 3) through animal management system or brand department uploads, 4) via spreadsheet upload (Excel, Lotus 123, etc), or 5) directly through data file transfers (xml, csv, etc.). All of these options are commonly used in the business world to transfer information between various parties in virtually every industry.

Clearly, there is a concern that many producers do not have access to the internet. Our experience in the NWPP is that, even without third party help, most of our participants can get access to a computer and post their transactions. There are, of course, producers that will never have a computer but service providers and other segments of the market can fill this void.

Those that expect someone else to make their data entries for them often lack the organizational skills to record correct information manually or electronically. Below is an example of a participant who had access to the internet and instructions for the NWPP database system, but couldn't figure out how or did not want to make the entries. They sent their tag information to the NWPP with the expectation that the project staff would interpret it and enter their transactions for them, despite having signed an agreement when joining the project that specifies that the participant will enter their transactions via an internet based system.

As illustrated below, the producer purchased RFID tags and tried to cross reference the 15 digit EID numbers with their own visual ranch tags; resulting in a very confusing matrix for anyone to interpret, especially when attempting to transfer this information to the internet.

Bay A	1	S233928	CD06532	985120026021591	985120026022638	985120026023674	985120026024785	A Bay 1
B	2	S233928	CD06533	985120026021038	985120026022931	985120026023430	985120026025825	B
C	3	S233928	CD06534	985120026021940	985120026023270	985120026023313	985120026026110	C
D	4	S233928	CD06535	985120026019834	985120026032053	985120026102014	985120026108764	D
E	5	S233928	CD06536	985120026019685	985120026021046	985120026022145	985120026024361	E
F	6	S233928	CD06537	985120026020153	985120026020467	985120026021012	985120026023536	F
G	7	S233928	CD06538	985120026027151	985120026103246	985120026108752	985120026109165	G
H	8	S233928	CD06539	985120026104298	985120026106490	985120026107282	985120026112342	H
				(A)	(A)	(A)	(A)	
1-24				Gr-922	Gr-815	Gr-36	Gr-1-29	
				(B)	(B)	(B)	(B)	
				Gr-382	Gr-620	Gr-990	Gr-439	
				(E)	(E)	(E)	(E)	
				Gr-541	Gr-759	Gr-1-39	Gr-036	
				(D)	(D)	(D)	(D)	
				Gr-103 Keep as bull	Gr-128	Gr-J-18	Gr-742	

Clearly, like any new software implementation, some producers will clearly understand what is necessary to successfully record animal transactions while others will need to be more heavily supported along the way. Through the NWPP, we have experienced a broad range of the participant's need for assistance through the data entry process. The amount of help our producers have needed could be thought of in terms of a typical "bell-shaped curve". At one extreme, there are a few participants who have required virtually no instruction in entering their data into the pilot database, reporting even their first transactions correctly and accurately based on NAIS standards. In the middle of the curve, is the majority of the NWPP participants, who with some basic instructions on database entry, have successfully entered their data into the system. Some have had some minor difficulties uploading their first transactions, but they tend to move very quickly up the learning curve, and by the time they enter their second event, they are already coming up with solutions to make the ID and reporting process make more sense for their operation. At the other extreme, there are a few producers who have really struggled through the data entry process, mostly because of a total lack of experience with computers and the internet. Third party service providers will probably find a profitable market with these producers that need a little extra help..

USDA suggests that animals should be identified anytime prior to entering commerce or being commingled with animals from other premises. Is this recommendation adequate to achieve timely traceback capabilities to support animal health programs or should a timeframe (age limit) for identifying the animal be considered? Please give the reasons for your response.

Requiring animals to be identified by the time they enter commerce or are commingled with other animals will be adequate for supporting animal health programs. Thus having a timeframe (age limit) on when that identification must occur should not be considered. The primary objective of the NAIS is to track animals for animal disease management. An animal that does not enter commerce nor is commingled with other animals is typically kept within a closed or managed herd, and therefore has a very limited risk of contracting animal diseases or infecting other animals. In general, any animal disease risk in that type of management situation would generally be one that is introduced to by animals being added to that herd that would be required to be individually identified anyway.

The reality is that adding some type of timeframe for identification adds complexity to the system and will not increase the integrity of the NAIS to a level that would justify the cost. If there was an outbreak that encompassed this type of closed herd, a direct conversation with the operator would have to occur in order to clarify whether or not animal movements were recorded in the NAIS. Under these circumstances those animals would never be out of the operators control and management. Typically the manager would have records substantiating the movements of the animals under his control similar to the records required under the USDA QSA program. Whether an animal has been under their control for 6 months or 12 years, the same level of risk and the necessity for record keeping exists if the group of animals has indeed remained a closed herd.

The Draft Program Standards outline the three key events that trigger the requirement of official identification as being:

- Change of ownership (even if on the same premises)
- Interstate movement
- Multiple owners commingling their cattle

In the NWPP, we have tested the practical application of these three triggering events and although we continue to run these models we believe that some modification should be made to these criteria.

Change of ownership (even if on the same premises)

Within the NWPP, we have participating feedlots, cow/calf operators, and pasture managers that regularly sell cattle to other parties without moving the cattle off their premises. The new owner often has little or no detail knowledge of the cattle's movements or their specific location. The

concept that the person who controls the cattle, rather than the owner, should be responsible to make data entries to the NAIS is the key to effectively obtaining cattle movement information.

The critical information that must be tracked for purposes of the NAIS is where the cattle are physically located, not who owns them. In fact, the current specification design of the NAIS contains no event code that signifies a change in ownership. Nor is there a data field that captures the ownership of cattle either individually or in a group. The premises information acknowledges the contact person for the property but certainly that information does not always represent who owns the cattle on that property.

The NWPP would suggest that a change in ownership **combined** with a movement of cattle, to a different premises, would be a legitimate trigger for official identification and would constitute an event to record in the NAIS database, providing important information for animal health surveillance.

Interstate movements

The NWPP participants include producers from all seven states in the Northwest, many of which regularly move their cattle across state lines as part of their normal annual management plan. Although the concept of recording an event when cattle cross state lines is a reasonable requirement, some flexibility needs to be inserted. For example, there are many producers that border the state line and literally open a fence gate, allowing the cattle to trail into another state. Other producers drive their cattle across state lines and cover over hundreds of miles moving between pastures on a seasonal basis. In each of these cases, the cattle are controlled by the same producer and often will return to the same state from which they originated. It seems unreasonable, unnecessary, expensive, and sometimes impossible to require these producers to individually identify and/or report these events when it would add very little to the validity of the database.

In the Western United States the state brand departments can play a major role in implementing the NAIS. Typically brand inspections are required when cattle move across states; therefore, because a brand inspector is physically inspecting these cattle combining the brand inspection with the brand inspector also recording the movement information into the NAIS would be highly efficient. The NWPP has worked closely with the brand departments in this region to explore opportunities for the brand inspectors to provide additional services related to the NAIS to the livestock industry they already serve.

Multiple owners commingling their cattle

We have shown within the NWPP that identifying cattle using the group lot method is an effective method of identification when cattle are not commingled. We have also found, however, that identifying cattle as a group lot when cattle are commingled among multiple owners doesn't necessarily mean that the ability to trace those cattle to the respective owners is lost.

For example, several participants within the NWPP run in common on BLM or Forest Service allotments with several of their neighbors. These allotments typically are thousands of acres and require a high degree of cooperation with each neighbor. Generally these allotments do not have any processing or shipping facilities and in many cases, it would be contrary to government regulations to even attempt to construct such facilities (e.g. the Federal Land Policy and Management Act (FLPMA) and the National Environmental Policy Act (NEPA)). With these types of allotments, the neighbors typically trail the cattle to these ranges in groups and let them graze throughout the permitted season of use as a commingled group. In some of these situations, it is common for the ranchers to not see their cattle for months at a time on these expansive rangelands, let alone handle them individually when moving on or off the allotment.

At the end of the grazing season, all of the operators work together to gather the cattle and sort them based upon the ownership, typically through the use of brands. The ranchers then trail or transport their respective cattle to the next grazing location or to a shipping facility or back to their home places.

The key to this concept is that even though the ranchers commingle the cattle, the original group lot identification is not lost, nor is the ability to track each animal back to its source. The reality is that if an animal health event were to occur involving these cattle, an animal health official would have to go visit that rancher anyway and identify where and when those cattle came into contact with other cattle, regardless of whether they were individually identified or not. The health risk to the other owners of the commingled cattle would be not different than what it is today.

Are the timelines for implementing the NAIS, as discussed in the Draft Strategic Plan, realistic, too aggressive (i.e., allow too little time), or not aggressive enough (i.e., do not ensure that the NAIS will be implemented in a timely manner)? Please give the reasons for your response.

Generally the USDA timelines are not aggressive enough. The United States cattle industry is terribly behind our foreign competitors when it comes to implementing a national ID program. Moreover, our foreign customers expect it such a tracking system, and our domestic customers are demanding animal identification immediately. The progressive, forward-thinking cattle producers in the United States firmly believe that in order for our cattle industry to retain its competitive advantage in the global marketplace, the NAIS must be initiated within a very aggressive time frame.

Recently the NWPP held an animal ID symposium and posed this question regarding the proposed implementation timelines for the NAIS to the audience of well over 130 producers from throughout the Northwest. Their response showed that the overwhelming majority believed that the USDA Draft Strategic Plan timeframe was not aggressive enough. The attitudes in this region have dramatically changed over the last year, as producers have become more informed regarding identification issues and the market pressures that lay in front of the United States cattle industry when it comes to competing in a global economy.

As foreign markets for beef consider reopening their borders to our product, our ability to regain significant market share will be hampered because the U.S. industry does not have a NAIS. Our significant foreign competitors, such as Australia and Canada, are already years ahead of us in implementing national identification and tracking programs. Each year that we wait to implement the NAIS is another year our customers will look to other suppliers that can supply beef that meets their demands.

Our domestic customers are impatiently waiting for the NAIS as well. McDonalds was recently quoted as saying that implementing the NAIS yesterday is not soon enough for them. Already, they have provided incentives to the industry by paying premiums to producers that can provide them with source verified products. They are serious about what they want from their suppliers in order to meet the demands of their patrons. The U.S. cattle industry needs to listen to the customer.

It appears that USDA's ability to accelerate the implementation of the NAIS is severely limited, primarily due to the natural constraints and the required due process that comes along with being a government entity. Again, the key to moving forward with the NAIS is to introduce a database which provides a receptor for industry data, allowing early adopters the opportunity to take advantage of market premiums that exists today. Once this database is developed, then the timeline for industry wide implementation can be accelerated.

Another factor to consider is that the costs of adoption of the NAIS will play a significant role in determining whether the timelines proposed by the USDA are too aggressive or not aggressive

enough. There will be a higher level of voluntary industry participation and the speed of adoption will be significantly faster if the costs are minimized through an efficient system which mirrors the flow of commerce. Again, the group lot concept is critically important for quickly moving the NAIS forward in a productive and effective way. A more extensive discussion about the group lot concept is given above.

The NWPP leadership has spoken to well over 3,300 cattle industry producers and we have seen a dramatic change in their attitudes toward the NAIS. A year ago the general feeling regarding the NAIS was negative to neutral at best. Under-Secretary Hawks was often the recipient of those negative concerns. Although in some areas of the country those feeling still remain, the majority of informed producers believe that the NAIS is coming, whether they like it or not, and in general it needs to be implemented faster than what is being proposed by the USDA.

Should requirements for all species be implemented with the same timelines, or should some flexibility be allowed? Please give the reasons for your response.

One size does not fit all. Flexibility and customizing the implementation process and schedule is critically important for a successful implementation of any system, especially one as expansive as the NAIS.

What are the most cost-effective and efficient ways for submitting information to the database (entered via the internet, file transfer from a herd-management computer system, mail, phone, third-party submission of data)? Does the type of entity (e.g., producer, market, slaughterhouse), the size of the entity, or other factors make some methods for information submission more or less practical, costly, or efficient? Please provide supporting information if possible.

Developing an internet based system is clearly the most efficient means of capturing data for the NAIS, irrespective of source. Clearly, allowing as many types of internet input options as possible is critically important because it will allow the various industry segments and individual participants to find the method of input that is the most cost effective and efficient for their operation. Electronic means of file transfers are commonplace in today's high tech world. Individual users should be able to choose between entering transactions: 1) directly into the internet system themselves, 2) via a third party service provider, 3) through animal management system uploads or brand board data collections, 4) via spreadsheet upload (Excel, Lotus 123, etc), or 5) through data file transfers (xml, csv, etc.). All of these options are commonly used in the business world to transfer information between various parties in virtually every industry.

Clearly, there is a concern that many producers do not have access to the internet. Our experience in the NWPP is that, even without third party help, most of our participants can get access to a computer and post their transactions. Those that expect someone else to make their data entries for them often lack the organizational skills to record correct information manually or electronically. For these types of participants in the NAIS, submitting information via phone or through the mail is a possibility provided that the data is electronically managed via scanning or telephonic data conversion. The backbone of the system, however, must be through file transfers and direct input to the internet based system. There are, of course, producers that will never have a computer but service providers and other segments of the market can fill this void.

The brand departments in the Western United States can be an important part of the NAIS operation. Since brand inspectors are often inspecting cattle before they are moved to a different location they could provide a service to the producer to also record NAIS information in conjunction with collecting brand information. This would be especially helpful for those producers who are not prone to work with computers.

As discussed above, under the assumption that both the buyer and seller are responsible for recording of the respective movements of the cattle while under their control, the market should determine how the movement reporting will be achieved and which party is responsible for reporting. If, as part of the sales contract, the buyer and seller agree that one or the other will enter the movement transactions, their agreement will dictate the reporting responsibilities. It is highly likely that if the market is allowed to dictate these responsibilities, then the segments of the industry that can expedite the required reporting will provide this service to other segments of the industry in an efficient and cost effective manner.

This direct sale of livestock by one seller to one buyer is the simplest of transactions, yet there are questions as to how the reporting requirements for these types of events should be met. There are thousands of variations to this type of straightforward sale that the NAIS must be capable of correctly capturing. The only possible way that this will be accomplished is if the NAIS mirrors, as closely as possible, the natural flow of commerce, as well as allowing market incentives to encourage compliance.

A government driven NAIS will inherently rely on regulation and penalties to coerce compliance. The regulatory complexities needed to address the wide variety of transactions, movements, production scenarios, and participants would be vast. The gargantuan Internal Revenue Code exemplifies the attempt to regulate the creativity of the free market. A government driven NAIS would be no different than this monstrosity.

On the other hand, an industry driven NAIS will primarily rely on market opportunities to encourage compliance. Outlining a basic set of guidelines and providing the opportunity for the marketplace to drive the specific details of the system allows for flexibility, creativity and efficiency. As discussed previously, both a government and an industry managed program will ultimately have to be mandatory, but there will be a dramatically different motivation and level of participation prior to a mandatory statute, depending on who is leading the development of the system.

We are aware that many producers are concerned about the confidentiality of the information collected in the NAIS. Given the information identified in the draft documents, what specific information do you believe should be protected from disclosure and why?

Confidentiality is a key concern for most producers regarding the NAIS. The general feeling within the industry is that all of the information within the database should be confidential. The information the producer is providing for the NAIS database is information that often only the owner knows and rarely discloses under any circumstances. Producers have significantly less confidence that the USDA can defend the database against public disclosure than if the industry controlled the database in a nonprofit private entity.

As part of the NWPP, we have spoke to over 3,300 people and inevitably one of the biggest concerns is that if the government controls the NAIS database, it would be misused and the information therein could potentially be disclosed to organizations that are adversarial to the cattle industry. Although these concerns often are slightly exaggerated from what may be the reality of actual risk, they definitely are not unfounded. Radical environmental groups historically have used government managed records submitted by producers to work against producers and their livelihoods. These concerns regarding confidentiality are heightened when consumer groups call for immediate implementation of the NAIS, from which producers presume that the motivation of these groups is not to inform consumers, but rather to increase the number of candidates for their group to sue.

It is highly unlikely that a federal exemption to the Freedom of Information Act (FOIA) could be passed in the United States Congress that would protect the information collected under the NAIS to a level that would be satisfactory to the industry that is providing the information. It is even far less likely that every state could pass exemptions to their respective FOIA provisions to adequately protect the information at that level as well. Even if exemptions were passed, the confidentiality of a federal database would certainly be challenged in court as so often is the case for FOIA issues. Ultimately, the amount and the type of NAIS information that has to be disclosed will only be determined by the courts. As the Draft Program Standards state, the "NAIS data would be kept confidential to the extent allowed by law ..." That language does little to dispel the major concerns that producers have regarding the confidentiality of the NAIS information. An industry data base clearly has a higher probability of keeping proprietary information confidential.

The confidentiality issue is a significant barrier of compliance for producers. Whether real or perceived, producers have a concern that a government database will expose the industry to additional liability and risk, making many producers very reticent to enter information into the NAIS. On the other hand, a private industry controlled database adds an additional firewall to protect the producer information recorded in the database and would be more accepted by the industry. At the same time, an industry controlled database would in no way limit the information that could be provided to federal and state animal health authorities when needed to protect animal health.

The NAIS as planned would require States, producers, and other participating entities to provide information and develop and maintain records. How could we best minimize the burden associated with these requirements? For example, should both the seller and the buyer of a specific group of animals report the movement of the animals, or reporting by one party adequate?

Maintaining adequate records to substantiate the information in the NAIS does not have to be an onerous task for producers. The current USDA QSA and BEV programs are good examples of developing a program that places a reasonable burden upon the industry to substantiate the required information without creating an extensive series of regulatory hoops that add little, if any value, to the program. For the NAIS, the substantiation required could take the form that the producer chooses, provided that it contains the necessary information.

Most producers keep records that correlate with the movement of their cattle. These would include breeding records, date books, freight bills, brand inspection records, etc. As outlined above, buyers and sellers can “negotiate” this issue and rely on the market to create an efficient and effective solution.

We acknowledge that the cattle industry has a wide variety of players with varying degrees of data management and organizational skills, as we have experience in the NWPP. We believe, however, that when producers are motivated by market forces to provide substantiated information to their customers, the level of available and reportable information will increase. Below is an example of some data provided by a participant that was used to post a transaction into the NWPP system. Though it does not provide a perfect picture of the movements of animals, the producer would be able to decipher where and what events actually occurred.

Branded
Branded
② ear notch
③ ear E.I.D

5-3-05 → 5-6
page # 1 of 13

yf Corral 5

CALF Tag # - same as
Mama's Cow tag #

FAR ID #: last 7
digits.

1. Y50	heifer - charlais	4564406
2. Y65	blk heifer	4573121
3. 339	bull blk belly	4576764
4. 022	bull red	4567629
5. 208	red heifer	4589606
6. # 10 Jose	blk belly bull	4562948
7. 965	blk heifer	4564718
8. 905	rw face blk bull	4564835
9. 978	red blk bull	4589311
10. 806	blk belly bull	4586019
11. 1000	blk belly red w/ Bull	4588619

Although there may be some benefit in requiring only one party involved in a sale contract to record the relevant animal events, such an option will create confusion as to what information must be retained by each party. In addition, if only the buyer records the event, then any movements prior to the actual sale would not be recorded nor would the seller have any responsibility to retain movement records during their control of the animals. (See a more extensive discussion regarding this topic above.)

As discussed previously, under the assumption that both the buyer and seller are responsible for recording the respective movements of cattle while under their control, the market should determine how the movement reporting will be achieved. If, as part of the sale contract, the buyer and seller agree that one or the other will enter the movement transactions, their agreement will dictate the which party will assume the reporting responsibilities. It is highly likely that if the market is allowed to dictate these responsibilities, the segments of the industry that can expedite the required reporting will provide this service to other segments of the industry in an efficient and cost effective manner.

There are thousands of different types of animal movements, and the NAIS must be capable of correctly capturing each of these transactions. The only possible way that this will be accomplished is if the NAIS mirrors, as closely as possible, the natural flow of commerce, while also allowing market incentives to encourage industry compliance. A government driven NAIS will inherently rely on regulation and penalties to coerce compliance. The regulatory complexities to address the wide variety of transactions, movements, and participants would be vast. The gargantuan Internal Revenue Code exemplifies the attempt to regulate the creativity of the free market. A government driven NAIS would be no different than this monstrosity.

APHIS is requesting comment from stakeholders regarding the utility of a privately managed database for holding animal location and movement information. Among the issues you may wish to comment on are the following:

How should a private database system be funded? Please give the reason for your response.

There are three general concepts that are plausible for funding of an industry driven NAIS database, including: 1) a market driven or neutral funding mechanism, 2) a database activity charge, and 3) some type of federal funding or general public grant. Clearly, developing a model that is based on market drivers which are neutral to the industry would be the preference. Some may think that this is idealistic, but allowing the industry to drive the funding mechanisms will allow for the most efficient and equitable system possible.

Developing an industry database will allow the information to not only be used for animal health information but also for market information. For example, in today's market, customers are paying a premium for beef that can be source verified. Similarly, when the Japanese market opens to U.S. beef again, the market may demand a premium for cattle that can be proven to meet the Japanese requirement for beef from animals less than 21 months of age. If the funding of the system revolves around charging those entities that can get additional value from using the NAIS information, then the funding becomes a function of a return on an investment rather than a tax.

For example, in the case of the Japanese market demanding beef from cattle that are less than 21 months old, the funding mechanisms for an industry led NAIS database could be very straight forward. Producers with eligible cattle could enter the birth date into the system identifying them as QSA certified cattle. Allowing each segment of the industry to validate, via the database, that the cattle are QSA certified would facilitate premiums being paid to the seller. Those buyers accessing the system to validate the QSA certification information would be charged for that access. This market would offset this charge by the added value that these QSA certified cattle ultimately have to the Japanese market. This type of data access would be especially valuable for the feedlot industry in helping to manage the time cattle are placed on feed, in order to ensure that the animals stay within the 21 month age limit, enabling the feeder to demand a premium from the packer. It would also be valuable for the packing companies to be able to rely on a such a system that gathers and validates information from the beginning of the production chain.

Another option for funding a privately managed database would be to charge a small fee when official identification numbers are retired and identified cattle are processed. The packers could pass this charge back down through the production chain in a manner that the market could bare. A similar mechanism is used today for Beef Checkoff fees and brand inspection fees. Although the animal identification fee collected at the packing plant would not cover every animal in the U.S., it would encompass the majority, as most animals will terminate in a consolidated market point such as a cow kill plant, fat cattle slaughter facility, or rendering plant.

This concept would be relatively easy to administer and would balance out some the costs that are going to be incurred by other segments of the industry farther down the supply chain as the NAIS is implemented.

Some have suggested a per entry fee as a possible funding mechanism for a privately managed NAIS database. This option is short sighted. The NWPP pays a \$0.75 premium for producers to post each individual animal entry into the database system. Without exception, our participants have said that the subsidy does not motivate them to sign up for the project or make the data entries, nor does it even come close to compensating them for the time and effort it takes to post the transactions. If these same participants were told they had to pay to make these entries, the entries would never be made. This funding mechanism would be a significant disincentive for implementing and participating in the NAIS, based on the experience we have had with the NWPP. If this type of system was mandatory, it would be viewed as a tax, and it would serve as a barrier to compliance.

Canada developed their industry controlled national ID system using a funding mechanism of charging an excise fee on the purchase of tags. This places the financial burden primarily on the cow calf sector of the industry which has little or no ability to pass this cost on to other segments. Essentially it becomes a tax on those who are complying with the NAIS and a disincentive to use RFID tag technology.

Alternatively, there are some who suggest that the government should fund the project. Their reasoning is that since the value of the NAIS extends throughout the entire industry and across the nation as a whole, the funding should be allocated across the entire public sector. If an industry database is developed by receiving government funding, it jeopardizes the firewall for securing confidentiality for participants. If the USDA controls the database, however, this option is clearly the most reasonable and probably the only option supported by the producers.

Although a mandatory system allows for the opportunity to broaden the funding constituency for the NAIS, it cannot, at the same time, be a license to design the funding as a taxing authority. The funding should be tied, as closely as possible, to market opportunities so that the NAIS is an investment for the industry rather than a tax on the industry. The funding should be a key part of overall design of the NAIS and should be structured to actually help drive compliance instead of being another barrier to compliance.

Should the NAIS allow for multiple privately managed databases? Please explain why or why not.

The primary objective of the NAIS is to trace animals back within 48 hours. With this objective in mind, it is critically important that one comprehensive database contains the requisite information available to animal health officials instantaneously. Allowing multiple databases creates the risk of having to inquire throughout the nation to find the database that contains the

record of a single event of interest, leading potentially to another database and then another and another. This concept is highly inefficient and time consuming in the best case and fraught with the risk of error. While the NWPP recognizes the possibility that multiple databases may exist at the state or regional levels to collect NAIS information, ultimately, we feel that one centralized, privately managed database must be maintained to contain the critical traceback information.

If multiple national data base existed simultaneously, each database would be on its own platform, have its own software, and be under its unique management. Compatibility would be a concern. You don't have to go very far to find multiple databases even within the same organization that constantly struggle with compatibility and transferring data flows. Today, both public and private organizations are spending millions of dollars to consolidate systems to allow for seamless accessibility to data currently captured in multiple systems and databases.

The accountability of providing credible information in a timely manner must rest on a single organization and database. Multiple databases managed by multiple organizations will lead to finger pointing and passing the buck. Most importantly, it would be extremely confusing to the industry to have multiple systems, as each participant would be required to choose the data base in which to post their transactions. It could require that a producer would have to learn multiple systems if the operations crossed over different segments or database jurisdictions. Multiple systems would significantly increase the learning curve for the nation.

The resources available to develop even a single national database system are very limited. Developing multiple systems dilutes the available resources that will be necessary to successfully implement the NAIS. Ultimately the cost of all the systems developed will fall primarily on the shoulders of the producers.

Should a public (government) system be made available as well as a privately managed system so that producers would have a choice? Please give the reasons for your response.

No, for the same reasons stated above.

Should a privately managed system include all species? Please give the reasons for your response.

Ideally, it would, for many of the same reasons as stated above. This is particularly important for producers that have multiple species in their operation. It would be expensive for them to have to deal with multiple databases. This, however, should not be a constricting factor for developing a private industry driven solution within an industry.

Would either system work equally well at the State level? Please explain why or why not.

The primary interest in any State is to access accurate information quickly. Having a single data base available for their inquiries is ideal.

The NWPP appreciates the opportunity to submit these comments regarding the NAIS and recognize the difficult decisions that lay before the USDA as well as the cattle industry. We hope that the comments submitted will be weighed and considered as the NAIS is developed. Please do not hesitate to contact us for additional information or clarification.

Sincerely,

Northwest Pilot Project

A handwritten signature in black ink, appearing to read "R Stott", with a horizontal line drawn through the middle of the signature.

Rick R Stott, Chairman
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